



[BILLING CODE: 6714-01-P]

FEDERAL DEPOSIT INSURANCE CORPORATION

Agency Information Collection Activities:

Proposed Information Collection; Comment Request

RIN 3064–AD91

AGENCY: Federal Deposit Insurance Corporation (FDIC).

ACTION: Notice and request for comment.

SUMMARY: The FDIC, as part of its continuing effort to reduce paperwork and respondent burden, invites the general public and other Federal agencies to comment on this proposed information collection, as required by the Paperwork Reduction Act of 1995. An agency may not conduct or sponsor, and a respondent is not required to respond to, an information collection unless it displays a currently valid Office of Management and Budget (OMB) control number. Currently, the FDIC is soliciting comment concerning a proposed new regulatory reporting requirement for state nonmember banks and state savings associations titled, “Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.” The proposal describes the scope of reporting and the proposed reporting requirements.

DATES: Comments must be received by [Insert 60 days from date of publication in the FEDERAL REGISTER.]

ADDRESSES: You may submit written comments by any of the following methods:

- *Agency Web Site:* <http://www.fdic.gov/regulations/laws/federal/propose.html>. Follow the instructions for submitting comments on the FDIC Website.

- *Federal eRulemaking Portal:* <http://www.regulations.gov>. Follow the instructions for submitting comments.

- *E-mail:* Comments@FDIC.gov. Include RIN 3064–AD91 on the subject line of the message.

- *Mail:* Robert E. Feldman, Executive Secretary, Attention: Comments, FDIC, 550 17th Street, NW, Washington, DC 20429.

- *Hand Delivery/Courier:* Guard station at the rear of the 550 17th Street Building (located on F Street) on business days between 7 a.m. and 5 p.m.

Public Inspection: All comments received will be posted without change to <http://www.fdic.gov/regulations/laws/federal/propose.html> including any personal information provided. Comments may be inspected at the FDIC Public Information Center, 3501 North Fairfax Drive, Room E-1002, Arlington, VA 22226 between 9 a.m. and 4:30 p.m. on business days.

Additionally, please send a copy of your comments to: By mail to the U.S. Office of Management and Budget, 725 17th Street, NW, #10235, Washington, DC 20503 or by facsimile to 202.395.6974, Attention: Federal Banking Agency Desk Officer.

FOR FURTHER INFORMATION CONTACT: You can request additional information from Gary Kuiper, 202.898.3877, Legal Division, Federal Deposit Insurance

Corporation, 550 17th Street, NW, NYA-5046, Washington, DC 20429. In addition, copies of the templates referenced in this notice can be found on the FDIC's website (<http://www.fdic.gov/regulations/laws/federal/propose.html>).

SUPPLEMENTARY INFORMATION:

The FDIC is requesting comment on the following new proposed information collection:

Title: Annual Stress Test Reporting Template and Documentation for Covered Banks with Total Consolidated Assets of \$50 Billion or More under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

OMB Control No.: 3064-NEW

Description: Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act¹ (Dodd-Frank Act) requires certain financial companies, including state nonmember banks and state savings associations, to conduct annual stress tests² and requires the primary financial regulatory agency³ of those financial companies to issue regulations implementing the stress test requirements.⁴ A state nonmember bank or state savings association is a financial company and therefore subject to the stress test requirements if its total consolidated assets are more than \$10 billion and it is regulated by the FDIC ("covered bank"). Under section 165(i)(2), a covered bank is required to submit to the Board of Governors of the Federal Reserve System (Board) and to its primary financial regulatory agency a report at such time, in such form, and containing

¹ Pub. L. 111-203, 124 Stat. 1376, July 2010.

² 12 U.S.C. 5365(i)(2)(A).

³ 12 U.S.C. 5301(12).

⁴ 12 U.S.C. 5365(i)(2)(C).

such information as the primary financial regulatory agency may require.⁵ On January 23, 2012, the FDIC published in the Federal Register a notice of proposed rulemaking (NPR) implementing the section 165(i)(2) annual stress test requirement.⁶ This notice describes the reports and information required to meet the reporting requirements under section 165(i)(2). These information collections will be given confidential treatment (5 U.S.C. 552(b)(4)).

The FDIC intends to use the data collected through this proposal to assess the reasonableness of the company-run stress test results and to provide forward-looking information to the FDIC regarding a covered bank's capital adequacy. The FDIC also may use the results of the stress tests to determine whether additional analytical techniques and exercises could be appropriate to identify, measure, and monitor risks at the covered bank. The stress test results are expected to support ongoing improvement in a covered bank's stress testing practices with respect to its internal assessments of capital adequacy and overall capital planning.

The Dodd-Frank Act stress testing requirements apply to all covered banks, but the FDIC recognizes that many covered banks with consolidated total assets of \$50 billion or more have been subject to stress testing requirements under the Board's Comprehensive Capital Analysis and Review (CCAR) or Capital Plan Review (CapPR). The FDIC also recognizes that these banks' stress tests will be applied to more complex portfolios and therefore warrant a broader set of reports to adequately capture the results of the company-run stress tests. These reports will necessarily require more detail than would be appropriate for smaller, less complex banks. Therefore, the FDIC will propose

⁵ 12 U.S.C. 5365(i)(2)(B).

⁶ 77 FR 3166, Jan. 23, 2012.

simplified and separate reporting templates for covered banks with total consolidated assets more than \$10 billion and less than \$50 billion and for covered banks with total consolidated assets of \$50 billion or more. In cases where a covered bank with assets less than \$50 billion is affiliated with an organization with assets of \$50 billion or more, the FDIC reserves the authority to require that covered bank use the reporting template for larger banks. The FDIC may also, on a case-by-case basis, require a covered bank to report stress test results using a simpler format to be specified by the FDIC. The reporting templates for banks with assets of \$50 billion or more are described below.

The FDIC has worked closely with the Board and the Office of the Comptroller of the Currency (OCC) to make the agencies' respective rules implementing annual stress testing under the Dodd-Frank Act consistent and comparable by requiring similar standards for scope of application, scenarios, data collection and reporting forms. The FDIC has worked to minimize any potential duplication of effort related to the annual stress test requirements. The FDIC also recognizes that many covered banks with total consolidated assets of \$50 billion or more are required to submit reports using CCAR reporting form FR Y-14A.⁷ Therefore, the FDIC is proposing to base reporting requirements closely on the Board's form FR Y-14A for covered banks with total consolidated assets of \$50 billion or more. The FDIC recognizes the Board has a proposal to modify the FR Y-14A out for comment and, to the extent practical, the FDIC will keep its reporting requirements consistent with the Board's FR Y-14A in order to minimize burden on covered institutions.⁸

⁷ <http://www.federalreserve.gov/reportforms>.

⁸ 77 FR 40051, July 6, 2012.

Description of Reporting Templates for Banks with \$50 Billion or More in Assets

The FDIC DFAST-14A Summary Schedule includes data collection worksheets necessary for the FDIC to assess the company-run stress test results for baseline, adverse and severely adverse scenarios as well as any other scenario specified in accordance with regulations specified by the FDIC. The DFAST-14A Summary Schedule includes worksheets that collect information on the following areas:

1. Income Statement;
2. Balance Sheet;
3. Capital Statement;
4. Retail Risk;
5. Available-for-Sale/Held to Maturity Securities (AFS/HTM);
6. Trading;
7. Counterparty Credit Risk;
8. Operational Risk; and
9. Pre-Provision Net Revenue (PPNR).

Each covered bank reporting to the FDIC using this form would be required to submit to the FDIC a separate DFAST-14A Summary Schedule for each scenario provided to covered banks in accordance with regulations implementing Section 165(i)(2) as specified by the FDIC.

Worksheets: Income Statement

This income statement collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected losses and revenues in the following categories.

1. Loan losses;
2. Losses due to contingent commitments and liabilities;
3. Other Than Temporary Impairments (OTTI) on assets held to maturity and available for sale;
4. Trading account losses;
5. Allowance for loan and lease losses;
6. Pre-provision net revenue; and
7. Repurchase reserve/liability for reps and warranties.

This schedule provides information used to assess losses that covered banks can sustain in adverse and severely adverse stress scenarios.

Worksheets: Balance Sheet

The balance sheet statement collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on projected equity capital, as well as on assets and liabilities in the following categories.

1. HTM securities;
2. AFS securities;
3. Loans;
4. Trading Assets;
5. Intangibles;

6. Deposits; and
7. Trading Liabilities.

The FDIC intends to use this worksheet to assess the projected changes in assets and liabilities that a covered bank can sustain in an adverse and severely adverse stress scenario. This worksheet will also be used to assess the revenue and loss projections identified in the income statement worksheet.

Worksheets: Capital Worksheet

The capital statement collects data for the quarter preceding the planning horizon and for each quarter of the planning horizon for the stress test on the following areas:

1. Changes to Equity Capital;
2. Changes to Regulatory capital; and
3. Capital Actions.

The FDIC intends to use this worksheet to assess the impact on capital of the projected losses and projected changes in assets that the covered bank can sustain in a stressed scenario. In addition to reviewing the worksheet in the context of the balance sheet and income statement projections, the FDIC also intends to use this worksheet to assess the adequacy of the capital plans and capital planning processes for each covered bank with total consolidated assets of \$50 billion or more.

Worksheets: Retail Projections

The Retail projections worksheets collect data for each quarter of the planning horizon for the stress test on projected balances and losses for major retail portfolios:

residential real estate, credit card, automobile, student loans, small business loans, and other consumer. For residential real estate, the worksheets collect data for first lien mortgages, home equity lines of credit, and home equity loans. For all major retail portfolios, the worksheets contain separate segments for domestic and international loans for various product types. Within each broad product-type segment, the reporting for the portfolio is divided into a number of sub-segments that embody unique risk characteristics. This modular product-type design of the Retail worksheet allows for a targeted data collection that encompasses only the material portfolios in a given product area for a particular covered bank. A covered bank with total consolidated assets of \$50 billion or more would be required to complete only the segments and sub-segments material for that bank. This design is intended to limit burden while maximizing the supervisory information produced from the collection.

Worksheets: Trading and Counterparty Risk

The *Trading and Counterparty Risk worksheets* collect projected losses associated with a specified global market risk shock from covered banks with total consolidated assets of \$50 billion or more with large trading operations. The FDIC provides a set of hypothetical shocks to the risk factors most relevant to the trading and counterparty positions of respondent covered banks.

Worksheets: Operational Risk

The Operational Risk worksheets collect data on covered banks' with total consolidated assets of \$50 billion or more projections of operational losses for each

quarter of planning horizon for the stress test. Operational losses are defined as losses arising from inadequate or failed internal processes, people, and systems or from external events including legal losses. Some examples of operational loss events are losses related to improper business practices (including class action lawsuits), execution errors, and fraud. Additional detail may be requested in order to translate the respondent covered banks' historical loss experience into operational loss projections. Additional detail also may be requested and on any budgeting processes used to project operational losses.

Completion of the Operational Risk schedule would be required only for those banks subject to advanced approaches risk-based capital rules.

Worksheets: PPNR

For the PPNR schedule, covered banks with total consolidated assets of \$50 billion or more must provide projections for the three major components of PPNR (net interest income, non-interest income, and non-interest expense) for each quarter of the planning horizon. Collection of these data in this format is based on the assumption that the revenues generated by different business lines are affected differently by different stress scenarios, and such a view facilitates a more robust analysis of the resulting projections.

Description of FDIC DFAST-14A Counterparty Credit Risk / CVA Template

The CCR schedule collects, on various worksheets, data to identify credit valuation adjustment (CVA), exposures, and CVA sensitivities for the respondent covered bank's top counterparties along a number of dimensions, including current CVA,

stressed CVA, net current exposure, and gross current exposure. Covered banks with total consolidated assets of \$50 billion or more also must submit aggregate CVA, exposures, and CVA sensitivities by ratings categories. The *Notes to the CCR Schedule worksheet* allows respondent covered banks to voluntarily submit additional information to provide clarity to the portfolio. Covered banks with total consolidated assets of \$50 billion or more are required to report results under two scenarios (adverse, severely adverse) and two specifications (Covered Bank, FDIC) to capture Expected Exposure profiles.

Completion of the Counterparty Credit Risk / CVA schedule would be required only for those banks subject to the market shock provided by the FDIC.

Description of FDIC DFAST-14A Basel III Template

The Basel III & Dodd-Frank schedule collects projections of Tier 1 Common Equity, Tier 1 Capital, Risk-Weighted Assets (RWA), and Leverage Exposures (along with granular components of those elements) for each quarter of the planning horizon for the stress test under baseline, adverse and severely adverse scenarios, based on the Basel III framework promulgated by the Basel Committee on Bank Supervision. Covered banks with total consolidated assets of \$50 billion or more also are required to include data on the projected impact of any significant actions planned in response to Basel III and the Dodd-Frank Act (for example, asset sales, asset winddowns, and data collection and modeling enhancements).

Description of FDIC DFAST-14A Company Variables Template

To conduct the stress test required under this rule, a respondent covered bank may need to project additional economic and financial variables to estimate losses or revenues for some or all of its portfolios. In such a case, the covered bank is required to complete the DFAST-14A Company Variables schedule for each scenario where such additional variables are used to conduct the stress test. Each scenario worksheet collects the variable name (matching that reported on the Scenario Variable Definitions worksheet), the actual value of the variable during the third quarter of the reporting year, and the projected value of the variable for nine future quarters.

Description of Supporting Documentation

Covered banks with total consolidated assets of \$50 billion or more must submit clear documentation in support of the projections included in the worksheets to support efficient and timely review of annual stress test results by the FDIC. The supporting documentation should be submitted electronically and is not expected to be reported in the workbooks used for required data reporting. This supporting documentation must clearly describe the methodology used to produce the stress test projections, and must include how the macroeconomic factors were translated into a covered bank's projections, as well as technical details of any underlying statistical methods used. Where company-specific assumptions are made that differ from the broad macroeconomic assumptions incorporated in stress scenarios provided by the FDIC, the documentation must also describe such assumptions and how those assumptions relate to reported projections. Where historical relationships are relied upon, the respondent covered banks must describe the historical data and provide the basis for the expectation

that these relationships would be maintained in each scenario, particularly under adverse and severely adverse conditions.

Type of Review: New collection.

Affected Public: State nonmember banks and state savings associations supervised by the FDIC with total consolidated assets of \$50 billion or more.

Estimated Number of Respondents: 4

Estimated Time Per Response: 1,040 hours.

Estimated Total Annual Burden: 4,160 hours.

Comments submitted in response to this notice will be summarized and included in the request for OMB approval. All comments will become a matter of public record.

Comments are invited on:

(a) Whether the collection of information is necessary for the proper performance of the functions of the FDIC, including whether the information has practical utility;

(b) The accuracy of the FDIC's estimate of the burden of the collection of information;

(c) Ways to enhance the quality, utility, and clarity of the information to be collected;

(d) Ways to minimize the burden of the collection on respondents, including through the use of automated collection techniques or other forms of information technology;

(e) Estimates of capital or start-up costs and costs of operation, maintenance, and purchase of services to provide information; and

(f) The ability of FDIC-supervised banks and thrifts with assets greater than \$50 billion to provide the requested information to the FDIC by January, 2013.

Dated at Washington, DC, this 23rd day of August 2012.

FEDERAL DEPOSIT INSURANCE CORPORATION

Valerie J. Best
Assistant Executive Secretary

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